

State of Alaska FY2008 Governor's Operating Budget

Department of Natural Resources Forest Management and Development Component Budget Summary

Component: Forest Management and Development

Contribution to Department's Mission

This component supports jobs in timber and fishing, manages sustainable forests on state land, and provides technical forestry assistance to communities and private landowners.

Core Services

This component:

- Delivers forest resource management and forest practices services.
- Provides a sustained yield of forest resources and uses on legislatively designated State Forests and other forested state land.
- Sells timber to the private sector which creates jobs through local value-added processing, harvesting, transportation, and reforestation.
- Inspects harvest operations on state land for compliance with state laws and contracts. Involves the public and other agencies in forest management decisions on state land.
- Maintains and enhances wildlife habitat on forest lands to support personal and guided hunting, and provides sites for commercial tourism and private recreation.
- Administers the Forest Resources and Practices Act (FRPA) on state, municipal, trust, and private lands.
- Provides one-stop shopping for compliance with the federal Clean Water Act and coastal zone management requirements.
- Reviews Detailed Plans of Operation, works with operators during on-site inspections, trains operators and landowners, conducts implementation monitoring, and when necessary, enforces the FRPA's provisions.
- Provides forestry assistance to private landowners, Native corporations, and communities.
- Provides statewide leadership and policy direction, and administrative direction, to the division's wildland fire and forest management programs.

The Forest Resources and Practices Act (FRPA) and program are designed to provide for a healthy timber industry, protect fish habitat and water quality, and ensure prompt reforestation. The FRPA sustains the forest and fish resources that support jobs in the timber and commercial fishing industries. The FRPA program also improves efficiency for the forest industry by providing one-stop shopping for compliance with federal Clean Water Act and coastal zone management requirements. Staff review Detailed Plans of Operation, work with operators during on-site inspections, train operators and landowners, conduct implementation monitoring, and when necessary, take enforcement actions to ensure protection of water quality and fish habitat.

The federal cooperative forestry programs use funds from the US Forest Service and other grantors to provide forestry assistance to private landowners, Native corporations, and communities. DOF delivers these services through its community forestry, forest health, Firewise, conservation education, and forest stewardship staff. These funds provide specialized professional expertise and technical assistance for communities and landowners that are not available through state General Funds.

The Forest Management and Development component also houses the Director's Office for the Division of Forestry, its' four PCNs and operating funds.

The component shares costs of the division's field office managers (Area Foresters) with the Fire Suppression Preparedness component. These positions, responsible for directing field implementation of the division's forest management and wildland fire programs, are split-funded between these two components. Their PCNs and position classes are counted in the Forest Management and Development component.

End Results	Strategies to Achieve Results
A: Support the timber and fishing industries, manage	A1: Provide jobs in Southern Southeast Alaska

sustainable forests on state land, and provide technical forestry assistance to communities and private landowners.

Target #1: 30+ Alaskan businesses supported by State timber.

Measure #1: Number of Alaskan businesses directly supported through state timber sales (# of purchasers of state sales)

Target #2: Annual Certification

Measure #2: Certification of the Forest Resources & Practices Act program as the clean water and coastal zone standards for forest operations. This protects fish habitat and water quality in a manner that is efficient for the timber industry.

Target #3: Provide forest management services, information, and grants to Alaskan municipalities, private businesses, Native corporations and other private landowners, and educators to expand the public benefits from municipal and private forest land.

Measure #3: Entities provided with forestry services through Community Forestry, Conservation Education, Forest Stewardship, and Forest Health programs.

through sale of state timber.

Target #1: In Southern Southeast Alaska, sell the maximum amount of state timber available on a sustained yield basis (average = 12.8 MMBF/year).

Measure #1: Amount of state timber purchased/year in SSE Alaska.

A2: Support the timber industry in Northern Southeast, Southcentral, and Interior Alaska through sale of state timber.

Target #1: Outside southern southeast, sell timber to the limit of market demand by ensuring that sale offerings exceed demand.

Measure #1: Volume (MMBF) of timber purchased relative to the volume offered for sale.

Target #2: Increase demand for state timber for in-state processing in Interior Alaska

Measure #2: Volume of state timber purchased in interior Alaska relative to prior years.

A3: Ensure that private and non-federal public forest landowners comply with the FRPA best management practices.

Target #1: 100% compliance with FRPA best management practices

Measure #1: Percent compliance with BMPs as measured by routine compliance score sheets and periodic compliance audits.

A4: Ensure that the FRPA effectively and efficiently protects fish habitat and water quality.

Target #1: Ensure that the FRPA is based on best available scientific information.

Measure #1: Complete review and update of FRPA best management practices.

Target #2: In cooperation with timber industry and resource agencies, conduct high priority FRPA effectiveness monitoring studies.

Measure #2: Publication of credible research and monitoring to assess the effectiveness of the FRPA.

A5: Enable municipalities to assess their forest resources and manage their forest lands for sustainable resources.

Target #1: Through technical assistance to communities, foster establishment of self-sustaining urban/community forestry programs recognized as Tree City USA programs (7 for FY06).

Measure #1: Number of active urban/community forestry programs approved by Tree City USA

A6: Help private landowners manage their

	<p>forestlands for sustainable resources by providing planning services and cost-share funding.</p> <p><u>Target #1:</u> Provide forest planning assistance to private landowners.</p> <p><u>Measure #1:</u> Number of forest management plans prepared for ANCSA corporations and for individual forest owners; and number of grants for wildfire risk reduction.</p> <p>A7: Provide timely information on forest insect and disease problems to maximize opportunities for treatment of forest pests on public and private land.</p> <p><u>Target #1:</u> Post and publish an annual report on forest insect and disease conditions in Alaska.</p> <p><u>Measure #1:</u> Publication of insect and disease conditions report.</p> <p>A8: Develop a public that is well-informed about forest resources and management.</p> <p><u>Target #1:</u> Provide forestry education to educators, students, private landowners, public land managers, and others.</p> <p><u>Measure #1:</u> Number of people who attend DOF sponsored forestry, fire, and conservation education classes or training.</p> <p>A9: Deliver FRPA services timely.</p> <p><u>Target #1:</u> 100% of Detailed Plans of Operation reviewed timely</p> <p><u>Measure #1:</u> Percent of DPOs reviewed within deadlines set by FRPA.</p>
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Major Activities to Advance Strategies

- Develop Requests for Proposals (RFPs) for sale layout by private contractors. Score proposals, award contracts, and inspect completed layout.
- Prepare timber sales -- including layout, Forest Land Use Plans, Five-Year Schedules of Timber Sales, and ads -- in Southern Southeast Alaska.
- Conduct timber sale auctions, negotiated timber sales, RFPs, and contracts in Southern Southeast.
- Use available funding to remove barriers to value-added timber sales, including development and maintenance of roads and bridges.
- Assess opportunities to provide wood to new businesses within the limits of available supply while accounting for the demand from existing businesses.
- Conduct thinning in dense forest stands on productive forest land to maximize volume available from state land in SE Alaska.
- Prepare timber sales, layout, and ads for sales in Northern Southeast, Southcentral, and Interior Alaska.
- Conduct timber sale auctions, negotiated timber sales, and contracts in Northern Southeast, Southcentral,
- Participate in industry/interagency technical review of effectiveness monitoring projects.
- Distribute Detailed Plans of Operation (DPOs) and coordinate timely interagency review.
- Respond to operators and landowners on DPOs.
- Work with communities to establish municipal forestry programs.
- Foster Tree City USA and Tree Line USA Communities.
- Train Tree Stewards for volunteer work on municipal trees.
- Provide technical assistance to local governments, private industry, and agencies.
- Develop forest stewardship plans for individual private forest owners.
- Pass through federal grants to develop forest stewardship plans for ANCSA corporations.
- Provide federal cost-share funding for forest land management activities on private land.
- Provide technical assistance to forest landowners for detection and treatment of forest pests.

Major Activities to Advance Strategies

- and Interior Alaska.
- Conduct state timber sale inspections and contract administration statewide.
- Disseminate a prospectus describing available state timber in Interior Alaska, and assist interested purchasers in evaluating feasibility.
- Provide additional timber sales to meet increased demand in Interior Alaska.
- Conduct field inspections of forestry operations on state, private, municipal, and Trust land.
- Prepare compliance score sheets on forestry operations.
- Conduct periodic audits of forestry operations.
- Complete audit of closed operations in SE Alaska.
- Review regeneration reports and field verification of private land regeneration surveys.
- Review reforestation exemption requests.
- Conduct regeneration surveys on state land.
- Adopt regulations to implement changes to the Forest Resources & Practices Act.
- Coordinate interagency prioritization of Forest Resources & Practices Act (FRPA) effectiveness monitoring information needs.
- Identify potential funding sources and seek funding for effectiveness monitoring.
- Conduct annual aerial survey of forest insect and disease conditions.
- Publish GIS and printed maps and reports on insect and disease conditions.
- Conduct special research and assessment projects on specific insect and disease problems.
- Identify introductions of exotic pests that could affect Alaskan forests and wood products.
- Train teachers in Fire in Alaska curriculum.
- Train teachers in Project Learning Tree curriculum.
- Conduct classes on forestry for schools, scout troops, civic groups, etc.
- Form education partnerships with other agencies.
- Encourage service learning opportunities through state and national Project Learning Tree.

FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$6,150,900

Personnel:

Full time	44
Part time	5
Total	49

Performance Measure Detail

A: Result - Support the timber and fishing industries, manage sustainable forests on state land, and provide technical forestry assistance to communities and private landowners.

Target #1: 30+ Alaskan businesses supported by State timber.

Measure #1: Number of Alaskan businesses directly supported through state timber sales (# of purchasers of state sales)

Number of Alaskan businesses directly supported through state timber sales (# of different purchasers of state sales) by fiscal year.

Fiscal Year	YTD Total
FY 2001	44
FY 2002	42
FY 2003	42
FY 2004	34
FY 2005	40
FY 2006	34

Analysis of results and challenges: The number of businesses that purchase state timber sales is a measure of the effect of the timber sale program on the local economy. Purchases reflect a number of factors, including the number of sales available and market demand. The number of purchasers in FY06 decreased some from FY05 primarily because of fewer purchasers for state sales in SSE Alaska.

Target #2: Annual Certification

Measure #2: Certification of the Forest Resources & Practices Act program as the clean water and coastal zone standards for forest operations. This protects fish habitat and water quality in a manner that is efficient for the timber industry.

Certification of the Alaska FRPA as the means of ensuring compliance with federal Clean Water Act (CWA) and ACMP standards for forestry operations.

Year	YTD Total
2001	YES
2002	YES
2003	YES
2004	YES
2005	YES
2006	YES

Analysis of results and challenges: The FRPA continues to be certified as the means of complying with Section 319 (non-point source pollution) and coastal zone standards. This means that the timber industry has one consistent set of standards for compliance with both state and federal law for water quality and coastal zone management. This "one-stop shopping" has been very important to the timber industry in keeping regulatory compliance efficient. It also confirms that Alaska's state forest practices standards meet the federal tests for protecting these public resources. NOAA had raised concerns about the riparian standards for private land in Region II (Southcentral Alaska) with respect to coastal non-point source pollution. These were addressed in 2006 through updates to the FRPA Region II riparian standards recommended by the Board of Forestry and user groups.

Target #3: Provide forest management services, information, and grants to Alaskan municipalities, private businesses, Native corporations and other private landowners, and educators to expand the public benefits from municipal and private forest land.

Measure #3: Entities provided with forestry services through Community Forestry, Conservation Education, Forest Stewardship, and Forest Health programs.

Entities provided with forestry services through the DOF cooperative forestry programs.

Fiscal Year	Muni, city, & military	Private & Native Corp	School Dist & University	Agency & Nonprofit
FY 2005	16	47	13	22
FY 2006	22	72	17	63

Analysis of results and challenges: The federally-funded cooperative forestry programs in the Division of Forestry provide technical assistance to a wide variety of private and public entities. Well-managed private, Native, and municipal lands provide public benefits as well as value to the landowners. These lands are often the closest forests to population centers in both rural and urban Alaska. Through active management, owners reap financial benefit from wood and non-timber forest products, while protecting residential watersheds, reducing risks from wildland fire, providing wildlife habitat, and where appropriate, supporting public recreation.

The list of entities that received assistance through cooperative forestry programs is too long to include in detail. It covers a broad list of institutions, including:

- 1 municipality, 2 combined city/boroughs, 3 boroughs, 6 cities, 6 unincorporated communities,
- 4 military bases,
- 5 regional Native corporations, 30 Native village corporations,
- 3 utilities,
- 17 plant nurseries and garden centers, 5 landscape architecture firms, 1 sawmill, and 4 other businesses
- 5 media outlets,
- 12 state agencies, 9 federal agencies, 4 soil & water conservation districts, 9 fire departments, 2 local emergency planning commissions, and 24 non-profit groups
- 10 Alaska school districts, 5 universities, and the Alaska Cooperative Extension Service
- Many individuals.

A1: Strategy - Provide jobs in Southern Southeast Alaska through sale of state timber.

Target #1: In Southern Southeast Alaska, sell the maximum amount of state timber available on a sustained yield basis (average = 12.8 MMBF/year).

Measure #1: Amount of state timber purchased/year in SSE Alaska.

Amount of state timber purchased/year in SSE Alaska.

Fiscal Year	YTD Total
FY 2001	0.6 MMBF
FY 2002	10.7 MMBF
FY 2003	3.7 MMBF
FY 2004	7.4 MMBF
FY 2005	14.4 MMBF
FY 2006	10.1 MMBF

Analysis of results and challenges: State timber sales for SSE in FY 06 remained high. In addition to the 10.1 million board feet listed in the chart above, 12 MMBF was offered through an RFP and a purchaser was selected. The contract for this timber will be signed in FY07.

A2: Strategy - Support the timber industry in Northern Southeast, Southcentral, and Interior Alaska through sale of state timber.

Target #1: Outside southern southeast, sell timber to the limit of market demand by ensuring that sale offerings exceed demand.

Measure #1: Volume (MMBF) of timber purchased relative to the volume offered for sale.

Volume of timber (MMBF) offered and purchased in areas of the state outside southern SE by fiscal year.

Fiscal Year	MMBF Offered	MMBF Purchased
FY 2001	31.9	8.3
FY 2002	27.5	6.2
FY 2003	33.2	15.0
FY 2004	35.0	4.4
FY 2005	63.4	10.1
FY 2006	73.8	14.9

Analysis of results and challenges: Outside SSE Alaska, timber sales are primarily limited by demand. Our goal is to offer enough timber volume to meet or exceed local demand, and to support an increase in that demand over time (see measure 2 below). Timber sales increased in FY06, reflecting increased sales in the Fairbanks and Delta areas.

Timber sale offerings were up due to reoffers of a large volume of salvage timber, and the volume available exceeds current demand. Much of the excess volume is beetle-killed salvage timber from the Northern SE, Kenai, and Copper River areas. One large green timber sale in the Mat-Su area had no bidders. The Division will continue to reoffer this timber as long as there is some economic potential for the wood. Future offerings of beetle-killed salvage timber are likely to decrease sharply because the wood is decaying rapidly, but offerings of salvage timber in areas burned by the 2004-2005 fires will increase.

Target #2: Increase demand for state timber for in-state processing in Interior Alaska

Measure #2: Volume of state timber purchased in interior Alaska relative to prior years.

Ratio of the volume of state timber purchased in the interior Alaska (Fairbanks, Delta, and Tok areas) in successive years (i.e., ratio of FY06 sales to FY05 sales, FY05 to FY04, etc.).

Fiscal Year	YTD Total
FY 2001	0.91
FY 2002	0.66
FY 2003	0.97
FY 2004	0.65
FY 2005	2.31
FY 2006	2.16

Numbers greater than 1.0 indicate an increase in sales. A figure of 2.0 indicates that sales have doubled relative to the prior year.

Analysis of results and challenges: Outside SSE Alaska, timber sales are primarily limited by demand. The Division's goal is to offer enough timber volume to meet or exceed existing demand, and to support an increase in that demand over time (see measure 1 above). Sale volume in interior Alaska doubled again in FY06. Sales were up in both Fairbanks and Delta. Delta sales included purchases of salvage timber within areas burned in the 2004 fires. Additional salvage timber will be offered in FY07.

A3: Strategy - Ensure that private and non-federal public forest landowners comply with the FRPA best management practices.

Target #1: 100% compliance with FRPA best management practices

Measure #1: Percent compliance with BMPs as measured by routine compliance score sheets and periodic compliance audits.

Percent compliance with BMPs as measured by routine compliance score sheets and periodic compliance audits.

Year		Region I		Region II		Statewide
0	% Compliance	Average Score	% Compliance	Average score	% Compliance	Average Score
2001	n/a	n/a	n/a	n/a	n/a	n/a
2002	n/a	n/a	n/a	n/a	n/a	n/a
2003	n/a	n/a	n/a	n/a	n/a	n/a
2004	93%	4.6	70%	4.2	n/a	n/a
2005	95%	4.7	80%	4.3	n/a	n/a

Analysis of results and challenges: FRPA compliance is measured through routine monitoring with score sheets. Implementation of best management practices is rated on a scale of 1 to 5. For this analysis, scores of 4 and 5 are considered compliant. Data are compiled by calendar year – the most recent data is for 2005. Annual data is not shown for Region III because of the inaccuracy inherent in the small sample size in this region. Sample size reflects the relatively small extent of harvesting in Region III (less than 10% of the statewide acreage harvested is in Region III), particularly on private land.

Average scores for Region I increased slightly in 2005, and the overall percentage of compliant scores increased considerably in Region II. Region II scores were lower than those for Region I, due to the adverse impacts of a few problem operations on the overall ratings. The Division of Forestry is targeting training to improve compliance in Region II and increase sample size in Region III.

A4: Strategy - Ensure that the FRPA effectively and efficiently protects fish habitat and water quality.

Target #1: Ensure that the FRPA is based on best available scientific information.

Measure #1: Complete review and update of FRPA best management practices.

Analysis of results and challenges: Chart not applicable. A scientific and technical review of the FRPA in Region II was completed in FY04, and recommendations for changes were completed and reviewed with the Board of Forestry and affected interests in FY05. The Region II review completes a statewide scientific and technical review of the FRPA riparian standards that was started in 1996. Recommendations from the review were incorporated into the FRPA in a bill signed in 2006.

Target #2: In cooperation with timber industry and resource agencies, conduct high priority FRPA effectiveness monitoring studies.

Measure #2: Publication of credible research and monitoring to assess the effectiveness of the FRPA.

Analysis of results and challenges: Chart not applicable. In FY06, Sealaska published reports on studies of Fish Habitat Status and Trends in SE Alaska forest operations. The Division of Forestry, Office of Habitat Management & Permitting, and ADF&G cooperated on road condition surveys on private and state forest operations in SE Alaska, and on water quality monitoring in a Mat-Su timber sale area. DNR also organized the annual interagency process to determine FRPA research and monitoring priorities, and supported grant applications to accomplish the top priority work. The road condition surveys, Fish Habitat Status and Trends study, and Mat-Su water quality monitoring will continue in FY07.

A5: Strategy - Enable municipalities to assess their forest resources and manage their forest lands for sustainable resources.

Target #1: Through technical assistance to communities, foster establishment of self-sustaining urban/community forestry programs recognized as Tree City USA programs (7 for FY06).

Measure #1: Number of active urban/community forestry programs approved by Tree City USA

Number of urban/community forestry programs recognized as Tree City USA programs by fiscal year.

Fiscal Year	YTD Total
FY 2001	4
FY 2002	4
FY 2003	4
FY 2004	7
FY 2005	6
FY 2006	6

Analysis of results and challenges: Six communities have active programs that are recognized through the Tree City USA program: They include Wasilla, Sitka, Juneau, Fort Wainwright, Elmendorf AFB, and Eielson AFB. Homer and the Fairbanks North Star Borough are developing programs.

A6: Strategy - Help private landowners manage their forestlands for sustainable resources by providing planning services and cost-share funding.

Target #1: Provide forest planning assistance to private landowners.

Measure #1: Number of forest management plans prepared for ANCSA corporations and for individual forest owners; and number of grants for wildfire risk reduction.

Number of plans and grants for forest management on private land.

Fiscal Year	ANCSA Corporation Plans	Forest Landowner Plans	Cost-Share Grants
FY 2001	1	45	0
FY 2002	0	29	0
FY 2003	2	28	28
FY 2004	3	58	83
FY 2005	3	58	79
FY 2006	0	60	127

Analysis of results and challenges: Most private forest lands are owned by Alaska Native Corporations, and planning assistance for Alaska Native Corporations has been a priority under the Forest Stewardship Program. No new ANCSA corporation plans were completed in FY06, but ten are in preparation. Requests for private forest landowner assistance fluctuate with the amount of federal cost-share funding available to implement practices recommended by the plans. Both federal Forest Land Enhancement Program (FLEP) and Western States Wildland Urban Interface (WUI) funding was available for cost-share projects in FY06 and resulted in a jump in grants for on-the-ground forest management and wildfire risk reduction projects.

A7: Strategy - Provide timely information on forest insect and disease problems to maximize opportunities for treatment of forest pests on public and private land.

Target #1: Post and publish an annual report on forest insect and disease conditions in Alaska.

Measure #1: Publication of insect and disease conditions report.

Analysis of results and challenges: Chart not applicable. One report is published and posted annually; information is also disseminated through various technical assistance projects. The Division continues to develop new techniques to accelerate dissemination of annual survey results.

A8: Strategy - Develop a public that is well-informed about forest resources and management.

Target #1: Provide forestry education to educators, students, private landowners, public land managers, and others.

Measure #1: Number of people who attend DOF sponsored forestry, fire, and conservation education classes or training.

Number of educators, students, private landowners, public land managers, and others who attend DOF sponsored forestry, fire, and conservation education classes or training by fiscal year.

Fiscal Year	YTD Total
FY 2001	n/a
FY 2002	1,040
FY 2003	1,735
FY 2004	1,317
FY 2005	1,366
FY 2006	1,132

Note: Data is still being compiled for some programs. This measure includes Project Learning Tree, Fire in Alaska, Community Tree Stewards, and other Community Forestry and Conservation Education training.

Analysis of results and challenges: The coop programs maintained a high level of outreach in FY06 despite a key vacancy in the Community Forestry program for most of the year. In addition to its traditional roles, the conservation education program is an important part of efforts to reduce risks from wildfire in the wildland-urban interface. Contact numbers should increase when the staff is again at full strength.

A9: Strategy - Deliver FRPA services timely.

Target #1: 100% of Detailed Plans of Operation reviewed timely

Measure #1: Percent of DPOs reviewed within deadlines set by FRPA.

Percent of DPOs reviewed within deadlines set by FRPA.

Year	% DPOs Reviewed Timely
2001	100%
2002	100%
2003	100%
2004	100%
2005	100%
2006	100%

Analysis of results and challenges: The FRPA has tight timelines for review of Detailed Plans of Operation (DPOs) submitted by landowners and operators. DOFs practice is to review all DPOs within these timelines.

Key Component Challenges

FOREST MANAGEMENT OVERVIEW. The forest resource management program supports the long-term goals of a sustainable forest, jobs for Alaskans, in-state value-added processing of wood fiber, and protection of fish habitat and water quality. Strategies and sale volumes vary by geographic area and market demand. The market for forest products directly affects the demand for timber sales. Throughout the state, we will offer timber sales in a range of sizes to support local, value-added processors and enhance wildlife habitat.

INVENTORY. The information base for active management of state forest lands is weak in many parts of the state. In interior Alaska, the severe 2004-2005 fire seasons and changes in land status render the existing Tanana Basin inventory out-of-date. In addition, new interest in hardwood manufacturing requires more detailed information on

hardwood resources. The Division received a CIP for Phase 1 of an update to the Tanana timber inventory in FY07 and is actively working on the update. DOF is requesting CIP funding for Phase 2 to complete the update in FY08.

In southern Southeast (SSE), there is no field-based timber inventory for most state timberland in southeast Alaska, and inventory is the cornerstone of sound, sustainable forest management. The Division received a 2002 CIP to address this issue. We have now inventoried the parcels on Prince of Wales (POW) Island and are analyzing the data. In November, 2006 we plan to begin work on the outlying islands and any remaining isolated parcels. The full southern Southeast forest land inventory will not be completed before the summer of 2007. Following completion of the inventory, the Division will update the allowable cut for SSE.

Southern Southeast (SSE) DEMAND. Southeast Alaska has the most productive forest land, and demand for wood from state land is strong. Although the state has a small land base in this region, state timber plays an important role in the local economy. Continued low levels of timber sales from the Tongass National Forest threaten the survival of local mills and create additional pressure for sales from state land. Supplying wood to existing small to mid-size wood processors is the priority for state timber in southeast.

Southeast (SE) THINNING. Much of the most productive state land in Southeast was inherited from the USFS with young second-growth stands that need thinning. These stands are over-crowded, reducing their productivity for timber and their benefit for wildlife habitat. The Division received a 2003 CIP to begin to thin key timber stands. Two contracts have been completed for pre-commercial thinning of 267 acres on POW Island. An additional 60 acres of pre-commercial thinning has been laid out and will be awarded in the late fall of 2006. This will complete the major part of this CIP. Thinning should continue to occur on appropriate second growth stands to capture the greatest stand benefits. The completed SSE inventory will allow us to prioritize the remaining second growth stands for pre-commercial thinning. An FY '09 CIP will be requested to continue the pre-commercial thinning program.

SOUTHCENTRAL MARKETS. In the Mat-Su area, there is continued interest in hardwoods for the existing chipping facility. However, the economic working circle for the facility is limited, and some state timber is too remote to be of interest in current markets. Within accessible areas, the Division is preparing timber sales within the limits of the allowable cut and consistent with land use plans. Salvage sales continue to be a high priority in areas of recent beetle infestation on the Kenai Peninsula to reduce wildfire hazards, accelerate reforestation, and obtain economic benefits from the wood where there are markets for the timber.

INTERIOR MARKETS. There has been an increased interest in timber in the interior during FY07. Weyerhaeuser has expressed interest in the hardwood component, specifically birch, for the production of cabinetry and dimensional lumber. NPI and others have expressed interest in both the hardwood and softwood market for the production of wood pellets to both help offset the high cost of heating fuel and to provide a cleaner, more efficient source of heat. A group of Taiwanese businessmen visited the Mat-Su and interior to examine marketing and investment opportunities in the field of forestry. GIO Alaska, a Korean firm, has recently located to the Fairbanks area and is interested in harvesting white spruce for lumber production. This increased demand must also be balanced with the ongoing demand for wood from the established processors in the area. The Division of Forestry is working with interior Native corporations and the Fairbanks Economic Development Council in an effort to continue to develop interest in the interior timber market and to provide information to potential investors.

REFORESTATION COSTS. Reforestation costs affect timber demand in Southcentral and Interior Alaska, especially for timber salvage. However, reforestation is essential to maintaining forest resources in these regions. The department reduces reforestation costs to the state by relying on natural regeneration where feasible, and requiring operators to provide site preparation and replanting on some sales. However, small operators rarely have the capital or expertise for effective reforestation. Without state support, reforestation costs can be a barrier to timber purchases for value-added processors. Reforestation funding is essential for stability in the state timber sale program and in local value-added processing operations. In spruce bark beetle infestation areas, reforestation also helps reduce wildfire hazards by decreasing grass cover. A portion of the FY06-FY07 timber sale receipts for removing barriers to value-added timber sales will be used to reduce reforestation costs, and DOF is requesting an FY08 CIP for reforestation in high priority sites.

TRANSPORTATION INFRASTRUCTURE. Throughout the state, limited transportation infrastructure also hampers forest operations. The state incorporates the cost of road construction and maintenance into timber sale purchases whenever possible. However, costs of bridges and roads that provide long-term access to large forest management areas are often greater than individual sales, especially small sales to local operators, can bear. Timber sale receipts for

removing barriers to value-added timber sales are used to help fund key bridges and road segments that expand the area available for forest management and provide secondary benefits for other forest users. In FY 06-07 DOT also provided Roads to Resources funds to support two key access investments – the Bostwick Road to access Gravina Island timber, and an upgrade to the Shirley Towne Bridge to reach state timber in the Mat-Su Valley. In FY08, DOF is requesting CIP funds for an upgraded railroad crossing on the Standard Creek Road, an essential access point for Tanana Valley timber.

Significant Changes in Results to be Delivered in FY2008

In FY07, the Division is undertaking a pilot program to assist the US Forest Service in improving the economic feasibility of federal timber sales from the Tongass National Forest. DOF foresters assess proposed sales early in the review process and recommend design changes to bolster economic feasibility. The USFS has committed to incorporating the recommended changes into the alternatives provided for public review. In FY08, the Division will expand this program to assess all proposed Tongass sales with the support of a \$100.0 increment.

The Division will continue to tailor the delivery of forest management, forest practices, and service forestry programs to reflect regional changes in markets, forest practices activity, and opportunities to expand forest management on private and municipal land.

Major Component Accomplishments in 2006

Forest Resource Management. DNR continued to emphasize support of local value-added processors in its timber sale program. In FY06, DNR:

- Offered 78.0 million board feet of timber for sale, the largest volume in the eight years on record.
- Sold 75 timber sales overall, and all but one right-of-way salvage sale went to local processors.
- Planted trees on 605 acres to ensure that the supply of forest resources is sustained for the future.

Since FY97, this program has sold 494 timber sales totaling over 152 million board feet of state timber to 186 in-state businesses (see Tables 1 and 2).

Table 1. Number of timber sales sold for value-added processing and number of purchasers by region, FY97-FY06

Region	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	Total # sales	# different purchasers
Coastal Region	22	34	17	27	25	26	45	25	51	31	303	97
Northern Region	28	17	15	33	31	28	23	25	25	30	255	99
Total	50	51	32	60	56	54	68	50	74	61	558	196

Table 2. Volume of timber sold in value-added sales by region (million board feet), FY97 – FY06

Region	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	Total Volume (MMBF)
Coastal Region	5.2	10.5	7.6	14.1	2.8	12.3	13.9	9.0	22.1	12.4	110.8
Northern Region	14.5	6.6	6.9	6.6	5.9	4.2	4.8	2.7	5.6	12.5	71.6
Total	19.7	17.1	14.5	20.7	8.7	16.5	18.7	11.7	27.7	24.9	182.4

Forest Practices. DNR continued to ensure that forest resources, clean water, and fish habitat are maintained through implementation of the Forest Resources and Practices Act. In calendar year 2005 DNR:

- Conducted timely review of 68 new Detailed Plans of Operation covering 36,651 acres and 136 miles of forest road.

- Conducted 145 field inspections on forest operations.
- Worked with the Board of Forestry, and in cooperation with affected industries and interests, to pass an amendment to the Forest Resources & Practices Act updating the riparian management standards for Region II (Southcentral AK). The bill passed without opposition.
- Assessed FRPA compliance on state, municipal, and private land in all regions.
- Worked with agencies, timber industry, and other interests to identify top priority effectiveness monitoring needs.

Cooperative Forestry. The Cooperative Forestry programs used federal funds to assist private forest landowners in developing and implementing plans to manage their forest resources, provided information on insect and disease conditions to agencies and private landowners, assisted communities in assessing and managing their tree resources, and provided conservation education programs to teachers and organizations. In FY06, these programs:

- Provided 13 grants to communities for tree planting, conservation education, and program development,
- Trained 428 individuals in community forestry workshops, and trained 455 educators and 452 students in Project Learning Tree, Firewise, and other forestry curricula. and
- Completed 60 stewardship plans on 945 acres of private land owned by individuals, and worked with ten ANCSA corporations that are preparing stewardship plans.

Statutory and Regulatory Authority

Forest Resource Management

AS 38.04.060-065

AS 38.05.035, .110-.123, .945

AS 41.15.300-.330

AS 41.17.020-.030, .060, .200-.400

AS 45.50.210-.325

11 AAC 05

11 AAC 71

Forest Practices

AS 41.17

11 AAC 95

Cooperative Forestry Programs

AS 41.15.020-.030

AS 41.17.030-.055

Contact Information

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Forest Management and Development Component Financial Summary

All dollars shown in thousands

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,760.6	4,007.3	4,619.6
72000 Travel	199.5	172.5	190.5
73000 Services	546.1	964.7	972.7
74000 Commodities	145.8	314.6	317.6
75000 Capital Outlay	40.0	50.5	50.5
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,692.0	5,509.6	6,150.9
Funding Sources:			
1002 Federal Receipts	477.2	1,216.2	1,216.2
1004 General Fund Receipts	2,519.4	2,661.4	3,386.8
1007 Inter-Agency Receipts	387.7	355.5	391.4
1053 Investment Loss Trust Fund	0.0	120.0	0.0
1061 Capital Improvement Project Receipts	604.6	344.9	344.9
1108 Statutory Designated Program Receipts	0.8	30.0	30.0
1155 Timber Sale Receipts	702.3	781.6	781.6
Funding Totals	4,692.0	5,509.6	6,150.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	12.8	0.0	0.0
Unrestricted Total		12.8	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	477.2	1,216.2	1,216.2
Interagency Receipts	51015	387.7	355.5	391.4
Statutory Designated Program Receipts	51063	0.8	30.0	30.0
Timber Sale Receipts	51076	702.3	781.6	781.6
Capital Improvement Project Receipts	51200	604.6	344.9	344.9
Investment Loss Trust Fund	51393	0.0	120.0	0.0
Restricted Total		2,172.6	2,848.2	2,764.1
Total Estimated Revenues		2,185.4	2,848.2	2,764.1

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	2,661.4	1,216.2	1,632.0	5,509.6
Adjustments which will continue current level of service:				
-Legislative One-time Funding Authorization for Forest Inventory	0.0	0.0	-120.0	-120.0
-FY 08 Health Insurance Increases for Exempt Employees	0.2	0.0	0.0	0.2
-Fund Source Adjustment for Retirement Systems Increases	213.2	-89.1	-124.1	0.0
Proposed budget increases:				
-Replace Legislative One-time-item Funding for Forest Inventory	120.0	0.0	0.0	120.0
-Economic Timber MOU with US Forest Service for Tongass Timber Sales	100.0	0.0	0.0	100.0
-FY 08 Retirement Systems Rate Increases	292.0	89.1	160.0	541.1
FY2008 Governor	3,386.8	1,216.2	1,547.9	6,150.9

Forest Management and Development Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	43	44	Annual Salaries	2,667,947
Part-time	6	5	Premium Pay	1,693
Nonpermanent	12	12	Annual Benefits	2,038,685
			<i>Less 1.88% Vacancy Factor</i>	(88,725)
			Lump Sum Premium Pay	0
Totals	61	61	Total Personal Services	4,619,600

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk II	1	0	0	0	1
Accounting Tech I	1	0	0	0	1
Administrative Assistant	0	1	0	0	1
Administrative Clerk III	0	0	0	1	1
Administrative Manager III	1	0	0	0	1
Cartographer III	1	1	0	0	2
Cartographer IV	0	1	0	0	1
Division Director	0	1	0	0	1
Education Assoc III	1	0	0	0	1
Forest Tech III	0	1	0	1	2
Forester I	0	2	0	0	2
Forester II	2	2	0	10	14
Forester III	0	5	2	8	15
Forester IV	0	1	0	1	2
Natural Resource Mgr I	2	0	0	0	2
Natural Resource Mgr IV	2	0	0	0	2
Student Intern I	0	0	0	12	12
Totals	11	15	2	33	61